

## **SECTION 01030 VALUE ENGINEERING**

### **PART 1      GENERAL**

#### **1.1      DESCRIPTION**

The CONTRACTOR is encouraged to develop, prepare, and submit value engineering change proposals (VECPs) voluntarily. The CONTRACTOR shall share in any Contract savings realized from accepted VECPs, in accordance with Paragraph 1.6 below.

#### **1.2      DEFINITIONS**

- A. "Collateral costs," as used in this clause, means OWNER costs of operations, maintenance, or logistic support.
- B. "CONTRACTOR's development and implementation costs," as used in this clause, means those costs the CONTRACTOR incurs on a VECP specifically in developing, testing, preparing, and submitting the VECP, as well as those costs the CONTRACTOR incurs to make the contractual changes required by the OWNER's acceptance of a VECP.
- C. "OWNER costs," as used in this clause, means those OWNER costs that result directly from developing and implementing the VECP, such as any net increase in the cost of testing, operations, maintenance, engineering support, and administrative costs of processing the VECP.
- D. "Contract savings," as used in this clause, means the estimated reduction in Contract amount resulting from acceptance of the VECP.
- E. "Value engineering change proposal (VECP)" means a proposal that:
  - 1. Requires a change to the Contract, to implement;
  - 2. Results in reducing the Contract amount without impairing essential functions or characteristics; and
  - 3. Is the result of the CONTRACTOR's independent value engineering review. OWNER-directed proposals to reduce the Contract amount are not VECPs.

### 1.3 VECP PREPARATION

As a minimum, the CONTRACTOR shall include in each VECP the information described in subparagraphs 1 through 6 below. If the proposed change is affected by contractually required procedures, the instructions in those procedures relating to format, identification, and priority assignment shall govern VECP preparation. The VECP shall include the following:

1. A description of the difference between the existing Contract requirement and that proposed, the comparative advantage and disadvantages of each, a justification when an item's function or characteristics are being altered, and the effect of the change on the end item's performance.
2. A list and analysis of the Contract requirements that must be changed if the VECP is accepted, including any suggested specification revisions.
3. A separate, detailed cost estimate for (i) the affected portions of the existing Contract requirement and (ii) the VECP. The cost reduction associated with the VECP shall take into account the CONTRACTOR's development and implementation costs.
4. A description and estimate of costs the OWNER may incur in implementing the VECP, such as test and evaluation and operating and support costs.
5. A prediction of any effects the proposed change would have on collateral costs to the OWNER.
6. A statement of the time by which a Contract modification accepting the VECP must be issued in order to achieve the maximum cost reduction, noting any effect on the Contract Time.

### 1.4 SUBMISSION

The CONTRACTOR shall submit VECPs to the OWNER, with a copy to the ENGINEER.

### 1.5 OWNER REVIEW

- A. The OWNER shall notify the CONTRACTOR of the status of the VECP within 10 calendar days after the OWNER receives it. The OWNER will process VECPs expeditiously; however, it shall not be liable for any delay in action upon a VECP.
- B. If the VECP is not accepted, the OWNER shall notify the CONTRACTOR in writing, explaining the reasons for rejection.
- C. Any VECP may be accepted, in whole or in part, by the OWNER's award of a modification to the Contract citing this section.

## 1.6 SAVINGS SHARING

- A. Rates: The CONTRACTOR's share of savings is determined by subtracting OWNER costs from Contract savings and multiplying the result by 50 percent. The OWNER's savings shall be equal to the CONTRACTOR's savings.
- B. Payment: Payment of any share due the CONTRACTOR for use of VECP on the Contract shall be authorized by the Change Order to:
  - 1. Accept the VECP; and,
  - 2. Reduce the Contract amount by the total of the sum of the OWNER's savings (1.6) and the OWNER's costs (1.2.3), in order to leave in the Contract the CONTRACTOR's share of savings (1.6).

## **PART 2 PRODUCTS - NOT USED**

## **PART 3 EXECUTION - NOT USED**

**END OF SECTION**